

CRYPTO**OUTLOOK**

Market House View

19 JANUARY 2022

Market House View (status 19 January 2022)

The House View is produced by the independent research unit. It is produced annually and reviewed on a quarterly or ad hoc basis. The Investment Committee and the Chief Investment Office consider this view when deliberating actions.

We express a view only for those cryptocurrencies that we trade. Each product is defined above in terms of the tradable cryptocurrencies.

Big picture:

- Our view is that digitalization is an unstoppable technological (r)evolution which will affect all sectors of the economy and the society. Blockchain is a major and most disruptive expression of it. Bitcoin is the epitome of blockchain and best representation of the new asset class that is supported by blockchain technology and ultimately by the ineluctable digitalization process.
- Our view is that cryptofinance and cryptoassets are major expressions of the digital (r)evolution. They have gained in popularity exponentially since 2017, supported by continuously enhanced products, process, regulations and performance. Bitcoin progressed from a value of some cents in 2010 to over 45'000 USD at the end of 2021. In 2013, 7 cryptoassets existed for a market cap of USD 1.5bn; at the end of 2021, 9'107 cryptoassets existed for a market cap of USD 2.2 trillion. (source: Coinmarketcap)

Cryptocurrencies:

- BTC – According to our traditional model, our outlook for 2022 is that bitcoin could reach a price region of USD 100'000-200'000 until end of 2022. The likelihood of this event is however lower than what we hold during 2H21. The reasons are to be found first in the increased correlation of bitcoin with global markets (resulting from professional and institutional investments in cryptocurrencies during 2021) and in the deflationary policies anticipated or initiated in a series of major economies; second in the uncertain regulatory outlook globally. Under circumstances, we do not rule out a prolonged range trading between USD 30'000 and 50'000 and, with a small probability, even a dip below that range.
- ETH – We believe that Ethereum will increase in value if the implementation of ETH2.0 will be successful. ETH2.0 will determine, on the supply side, a significant lowering of the coins rewarded during the block validation process – which will compound with the already implemented burning mechanism. On top of it, more coins will be locked in validator nodes and DeFi protocols. On the demand side, we expect an increase fueled by the growth of Defi, Web 3.0 Dapps , DAOs , Metaverse, scalability and lower fees as a result of ETH2.0.
- 2022 will also be characterized by the development and growth of several ETH protocol challengers applicable to the DeFi space and promising a faster and cheaper processing of transactions, and by an increased use of multi-chain blockchains.

Specifically related to the coins we can actively trade under the BTCA ETP:

- LTC – With its Proof-of-Work consensus and Dual mining with Doge coin ability, and long history of existence, Litecoin was able to keep an active ecosystem of users. It faces however increasing competition from other emerging coins. We believe Litecoin’s value will be highly correlated to the price of bitcoin in the foreseeable future.
- ADA – Our view is that Cardano is a project with solid fundamental value and growth potential. Long waited Alonzo hard fork will be a major milestone for the protocol, which will enable users to create and deploy “smart contracts” on the Cardano blockchain. Cardano manages its community very well.
- XLM – Our view is that Stellar faces good development potential, in particular as a platform hosting CBDCs. We believe Stellar will be a main competitor to Ripple. It has a solid network and cost-effective solutions. It could become a protocol of choice for Governments and enterprises to issue their assets and transact them.
- TRX – Our view is that Tron is to be monitored on its path to develop all the Ethereum network features and facilities and to launch DeFi and NFT standard protocol TRC-721 with lower gas fees. Tron foundation has now become a solid underlying protocol for well-known assets such as tether. The main weak point about this project is the centralization of protocol governance.
- XTZ – Our view is that Tezos has good potential in connection with the release protocol updates that could attract developers, reduce gas fees and enable novel applications on its blockchain. Tezos has one of the highest Supply locked for Staking and a solid team.
- BNB – Our view is that Binance coin is to be monitored and invested opportunistically, considering potential regulatory / reputational risks. It has one of the fastest pace growing ecosystems, and Binance Smart Chain and its Native Asset BNB have shown significant growth in terms of development, ecosystem and innovation. Binance will stay among top 10 assets in the next years.
- NEO – Our view is that NEO harbors a good potential for appreciation and for becoming one of the top 10 smart contracts platforms over the next 2 years. With NEO 3.0, many scalability, security, and governance issues of this blockchain will be resolved.
- EOS – We believe that 2022 would be a year that EOS will focus on protocol development, compatibility with EVM machines, and introducing new functional Dapps on its chain. EOS governance has witnessed the return of Dan Larimer and the treasury position of EOS is solid, with significant funds sitting on the books.
- XRP – Our view is that Ripple finds itself in an uncertain regulatory situation following the lawsuit launched by the SEC over the alleged sale of unlicensed securities and will experience significant volatility until settlement. If Ripple manages to settle their case, we could see a large price appreciation.
- MATIC – Polygon has gained significant momentum in 2021, with significant organic growth and adoption. We expect 2022 to feature further Dapp developments and focus on improving scalability.
- AVAX - As one of the new leading Layer 1 blockchains, Avalanche proved to be a successful chain. Its adoption by innovative Defi protocols has shown the ability of this chain to be highly scalable. Another positive factor for Avalanche is its EVM compatibility.

- DOT – Polkadot has shown determination and discipline when it comes to roadmap and milestones delivery. It could recently successfully launch its first parachain auctions. Going forward we believe Polkadot to grow its community and move forward toward interoperability of chains with incremental functionality such as Cross-chain message passing and Parathreads.
- SOL – Solana had a great 2021. It gained a lot of momentum both from a community perspective and token valuation. It features very low fees, high-speed confirmation, and broad Dapps on this L1 chain. We took note of recent Block congestions and Network outages which point to insufficient decentralization.

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